

In the Matter of)	No. G 01-24
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
CONSUMERS INSURANCE COMPANY)	AND ORDER ADOPTING REPORT
)	OF
)	FINANCIAL EXAMINATION

A Domestic Insurer. _____

BACKGROUND

An examination of the financial condition of **CONSUMERS INSURANCE COMPANY** (the Company) as of December 31, 1999, was conducted by examiners of the Washington Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a stock insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and comments and recommendations was transmitted to the Company for its comments on May 08, 2001. The Company's response to the report is attached to this order only for the purpose of providing convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 2 through 24 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **CONSUMERS INSURANCE COMPANY** and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are an appropriate response to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 3 through 5.

1. The Company is ordered to comply with RCW 48.07.040, which requires each incorporated domestic insurer, in the month of January, February, March or April, to hold the annual meeting of its shareholders or members for the purpose of receiving reports of its affairs and to elect directors. Instruction 1, Examination Report, page 3.
2. The Company is ordered to place securities held in custody of the brokerage firm into custody of a bank, trust company or security depository that is regulated by the Securities and Exchange Commission, the Federal Reserve System and the banking authorities in its state of domicile, in compliance with NAIC guidelines and WAC 284-07-050(2). Instruction 2A, Examination Report, page 3.
3. The Company is ordered to execute a custodial agreement with the bank, trust company or security depository that includes the required provisions for indemnifying the Company for lost securities in compliance with NAIC guidelines and WAC 284-07-050(2). Instruction 2B, Examination Report, page 3.
4. The Company is ordered to file a true statement of its transactions and affairs as required by NAIC Annual Statement Instructions and RCW 48.05.250, with regard to accurate reporting of capital and surplus and Special Deposits. Instruction 3, Examination Report, page 3.

5. The Company is ordered to comply with RCW 48.31B.030(1)(b)(i)(A), which requires domestic insurers to notify the commissioner in writing of its intention to execute investment transactions with a person in its insurance holding company system at least sixty days in advance. Instruction 4A, Examination Report, page 4.
6. The Company is ordered to comply with RCW 48.31B.025(1)(c), which requires members of an insurance holding company system to file a registration statement with the insurance commissioner, providing current information pertaining to the purchases, sales or exchange of assets between affiliates that exceeds one-half of one percent of the prior years admitted assets, within fifteen days after the end of the month of the transaction. Instruction 4B, Examination Report, page 4.
7. The Company is ordered to report annuities that are not registered and recorded under the Company's name as non-admitted assets as required by RCW 48.12.010. Instruction 5A, Examination Report, page 4.
8. The Company is ordered to discontinue its practice of transferring defaulted assets between affiliate companies at full book value, which is in violation of RCW 48.31B.030(1)(a)(i). Instruction 5B, Examination Report, page 4.
9. The Company is ordered to void the acquisition of three (3) defaulted annuities, recover the cash proceeds, and recover for CIC the interest lost on the proceeds as permitted by RCW 48.31B.050(3). In addition, the Company is prohibited from purchasing or acquiring assets that are in default in any respect per RCW 48.13.020(1). Instruction 5C, Examination Report, page 4.
10. The Company is ordered to comply with RCW 48.12.010, and non-admit all mortgages that are not registered and recorded under the name of the insurer. Instruction 6, Examination Report, page 5.

ENTERED at Lacey, Washington, this 29th day of June, 2001.

MIKE KREIDLER
Insurance Commissioner